

# TRANSFORMATION: GOING STRONG!

## USPS TRANSFORMATION PLAN SO MANY MILESTONES

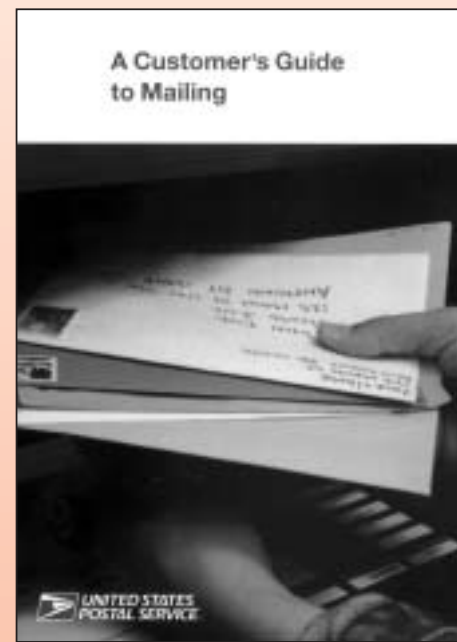
Action plan? You bet! It's been nearly a year since the USPS Transformation Plan was announced – April 5, 2002 – and the list of major achievements since then is long and impressive. This is one document that's definitely not gathering dust on a shelf. In fact, doubters are being left in the dust as USPS moves forward with changes aimed at creating growth through added value to customers, improving operational efficiency and creating a performance-based culture. It's been quite a year. As USPS moves ahead on

transformation initiatives, both service and customer satisfaction are at record high levels. We've got focus. We've got results. But don't let us jaw on about it. Let the milestones speak for themselves.

Here are some transformation highlights (there are so many, it's impossible to talk about all of them in this one issue; we'll have to save some for later):

### GROWTH THROUGH ADDED VALUE

#### Looking good, DMM



One of the major goals of transformation is making it easier for customers to do business with us. Nothing represents that effort better than the redesign of the *Domestic Mail Manual* – the DMM. It's been the bible of mailing standards for years. But let's face it, as a big, thick manual, it can be a bit complex. The new DMM – a multi-part project currently under way – is user-friendly. It's based on the ways customers use the mail. When completed, there will be four volumes divided into different pieces for different kinds of customers. The first in the new DMM series is already available – *A Customer's Guide to Mailing*. It's for retail customers. It answers the questions that customers ask in our retail lobbies. It provides charts, illustration, tips and real-life examples to help customers understand USPS products and services. It's the look of transformation.

#### Bringing the Post Office home

For some people, home is where their business is. And these folks, as well as other small businesses, are always looking for mailing solutions that will save them time and money. USPS transformation initiatives have connected with these customers by providing them Internet access to postal products and services via [www.usps.com](http://www.usps.com) – a "virtual" Post Office straight from the computer. In the past year, transformation initiatives include enabling customers who use Certified Mail and Registered Mail to check the date and time of delivery, or attempted delivery, online. Or, there's Click-N-Ship, which allows customers to prepare and print shipping labels – with or without postage – 24 hours a day. Fuzzy slippers not included.

#### Confirm it!

Market-based pricing is an important element of the Transformation Plan. Enter Confirm – the flat- and letter-mail tracking service. Confirm is being offered on a subscription basis with three pricing options available, based on usage. Confirm's technology provides major mailers with information on where their letters or flats are as they travel through the mailstream and provides USPS with important operations data. Customers can access their data electronically through the Internet or have it downloaded directly to their computer systems. Confirm utilizes technology to add value to the mail, and offers prices to meet specific customer needs. Service they need. At a price that's right. Sign 'em up!

#### Pricing for growth

Everybody's different. That includes postal customers. Many of them want access to prices and services targeted to their specific needs. One way to do that under current law is through the pricing flexibility of negotiated service agreements (NSAs). A case has been filed with the Postal Rate Commission seeking a three-year experimental mail classification based on a NSA between USPS and Capital One Services, Inc. NSAs can specify the preparation, presentation, acceptance, processing, transportation and delivery of mailings under particular rate, classification and service conditions, and restrictions that go beyond those required of other mailers.

### IMPROVING OPERATIONAL EFFICIENCY

#### Getting SASS-y

If we know when and where the mail is, we can create accountability and visibility of the mail as it is handed off to transportation suppliers. That's what the Surface Air Support System (SASS) does. It relays mail assignment data to transportation carriers and uses scan data to match assignments and reconcile payment information. This data is vital to keeping track of mail moved by suppliers and their on-time delivery performance. In its first

phase, completed in September 2001, SASS created payment and performance tracking systems for the FedEx contract. It's tracking performance of mail on Amtrak, too. Phase two, beginning this summer, will require airline carriers to scan mail from the time they receive it until it's turned over to the Postal Service. More information. More informed decisions. More efficient use of networks. Better service.

#### Parcel productivity

Get ready for the next generation of package sorting and flats processing equipment. The Automated Package Processing System (APPS) will replace mechanized Small Parcel and Bundle Sorting equipment at 70 postal facilities by May 2005. APPS will reduce manual handling by automating the feeding process. It will use optical character recognition (OCR) technology to read addresses and permits online video coding of pieces that can't be read by the OCR. Then there's the Flats Remote Encoding System. It will help the AFSM 100 flat sorter improve processing of hard-to-read addresses, reducing costs and increasing efficiency. It's about making every postage dollar go farther.

### CREATING A PERFORMANCE-BASED CULTURE

#### Developing leadership skills

Transformation is about eyes on the future, and the Management Intern program is helping to mold the USPS leaders of the future. The program helps candidates expand their knowledge of postal operations, develop their leadership skills and increase their problem-solving abilities. They include career USPS employees (including craft) and folks from outside USPS. The interns come from across the country, with at least two from each Area. USPS also launched a headquarters' Professional Specialist Intern program. It seeks to place candidates in hard-to-fill professional positions such as engineers, transportation specialists and economists.



### Opinions aplenty

What's with reform? Everybody's got an opinion. But consensus is a bit harder to come by. That's what the President's Commission on the Postal Service is finding out as it holds public hearings on the future of USPS. Business model. Pricing. Competition. It's all on the commission's plate as it works to submit its report to the president by the end of July.

At an all-day hearing Feb. 20 in Washington, DC, the panel heard from 20 witnesses on seven different panels. Included were Postal Rate Commission Chairman George Omas, APWU President Bill Burrus, NALC President Bill Young, NRLCA President Gus Baffa, UPS Chairman and CEO Michael Eskew, USPS Board of Governors Chairman David Fineman and USPS Chief Financial Officer Richard Strasser. Also testifying were academics and numerous mailing industry reps. Fineman credited the 1970 business model for USPS's significant achievements but said: "We now need to move the ball further" toward a more commercial, businesslike structure.

That was the view from Washington. Next, the commission heads "outside the beltway" for its next three public hearings: March 18 in Austin, TX, April 4 in Los Angeles, and April 29 in Chicago. Keep up-to-date at the commission's website – [www.treas.gov/offices/domestic-finance/usps](http://www.treas.gov/offices/domestic-finance/usps). Its efforts complement our efforts at transformation.

It's postal history as it happens.

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### Doing it now. Around the corner. Down the road.

Under current postal laws there is much USPS can do, and is doing now to transform. In addition, moderate regulatory and legislative reforms will allow USPS to better respond to customer pricing needs and restore postal finances to a more sound footing. And then there's fundamental long-term transformation, which will require structural legislative reform.

### QUOTABLE

*"If we are to sustain this \$900 billion, 9 million-job industry, Congress needs to do everything in its power to ensure a modicum of rate stability."*

Rep. John McHugh (R-NY), commenting on CSRS legislation

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## Eyes on Congress

Rates steady until at least 2006? It's possible, if Congress passes legislation that would change the way USPS funds its Civil Service Retirement System (CSRS) obligations. Similar bills have been introduced in the House and Senate that would prevent a \$71 billion overpayment by USPS to CSRS. Committees in both chambers have acted favorably on the bills, but passing

legislation is a long road. Separate audits by the Office of Personnel Management and the General Accounting Office confirmed the overfunding, but only Congress can fix it. "Congress ought to approve this legislation swiftly, and the Postal Service ought to use the savings to avoid an imminent postal rate hike," says Sen. Susan Collins (R-ME), chair of the Government Affairs Committee. Hear, hear.